

# PROTECTION AGAINST ABUSE OF TRADEMARK LAW IN GREATER CHINA: A BRIEF ANALYSIS OF THE PEOPLE'S REPUBLIC OF CHINA, HONG KONG, MACAU, AND TAIWAN

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## I. INTRODUCTION

*Abusive use of trademark law: the mere continuation of competition by other means?*<sup>1</sup>

To what extent should trademark proprietors in Greater China be allowed to use the legitimate means available to them to dominate the market place by eliminating their competitors? In other words, when does registration, use, or litigation of trademarks become abusive?<sup>2</sup> Professor Michael Geist rightly remarked that “intellectual property and innovation are often linked in policy discussions, but that the abuse of IP rules has garnered less attention.”<sup>3</sup> This is *a fortiori* the case for abusive use of trademark law in Greater China. This article’s purpose is to inform its audience about the dearth of scholarship regarding abuse of trademark law and to commence discourse on the subject. It will do so by analyzing The People’s Republic of China (PRC), The Macau Special Administrative Region of China (Macau), and Taiwan, three different civil law jurisdictions; and, Hong Kong Special Administrative Region of China (Hong Kong), a common law jurisdiction.

One can observe a trend in international treaties of obliging members to prevent the abuse of intellectual property rights. In the Paris

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1. This is an allusion to Carl von Clausewitz’s definition of war: “War is merely the continuation of policy by other means.” CARL VON CLAUSEWITZ, ON WAR 87 (Michael Howard & Peter Paret ed. & trans. 1976).

2. The difference between “abuse” and “misuse” of trademark law as is used in this article first entails intention, while the latter does not necessarily do so. Both abuse and misuse of trademark law pertain to the misalignment with the purpose of trademark law to protect consumers against confusion and deception and trademark holders against unfair competition.

3. Michael Geist, *Ottawa Needs to Combat Abuse of Intellectual Property Rights*, THE STAR (Aug. 15, 2016), <https://www.thestar.com/business/2016/08/15/ottawa-needs-to-combat-abuse-of-intellectual-property-rights-geist.html>.

Convention, this principle was largely limited to patents.<sup>4</sup> It was “to prevent abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work.”<sup>5</sup> The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) broadened the principle to prevent abuses of all intellectual property rights.<sup>6</sup> Article 8(2) of TRIPS stated that “[a]ppropriate measures . . . may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.”<sup>7</sup> However, TRIPS’s only focus seems to be the prevention of copyright and patent abuse.<sup>8</sup> Arguably, Chapter 18 of the Trans-Pacific Partnership Agreement (TPP),<sup>9</sup> is extending the principle to prevent abuse of intellectual property law by not only providing an almost exact copy of the broad TRIPS provision in Article 18.3(2) of TPP,<sup>10</sup> but also

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4. See Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, (as last revised July 14, 1967 and as amended Sept. 28, 1979) For example, Article (1)(1) and (2) indicate that members to the Convention will protect “industrial property;” and, “[t]he protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source appellations or origin, and the repression of unfair competition.”

5. *Id.* art. 5A(2).

6. See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakech Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS].

7. *Id.* art. 8(2).

8. Owais Hassan Shaikh, *Stretching the Limits: Measures Available Under Article 8(2) TRIPS for Pakistan*, 21–34 (Sept. 16, 2010) (unpublished Ph.D. dissertation, Munich Intell. Prop. Law Center) (on file with the Social Science Research Center), <http://ssrn.com/abstract=2463166>.

9. Trans-Pacific Partnership Agreement, ch. 18 art. 18.3(2), Feb. 4, [hereinafter TPP]. If the TPP comes to fruition, it is highly likely that the part of Asian signees (now one-third) will grow. The PRC is following the TPP negotiations Argus-eyed. See generally *TPP Negotiation*, INTELLECTUAL PROPERTY PROTECTION IN CHINA, <http://www.chinaipr.gov.cn/list/column1/1/cateinfo.html> (a collection of articles discussing the People’s Republic of China following the Trans-Pacific Partnership negotiation) (last visited Mar. 29, 2017).

10. See, e.g., TPP, *supra* note 9, art. 18.3(2) (“Appropriate measures, provided that they are consistent with the provisions of this Chapter, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.”).

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by providing the obligation to apply enforcement procedures with safeguards against their abuse.<sup>11</sup>

Furthermore, Article 18.74(15) of TPP states that members should ensure that its courts can order the party that has abusively enforced its IP rights, including trademarks, “to provide to a party wrongfully enjoined or restrained adequate compensation” and “pay the defendant expenses, which may include appropriate attorney’s fees.”<sup>12</sup>

In addition, Article 18.75(2) states that “[e]ach Party shall provide that its competent authorities have the authority to require a right holder initiating procedures to suspend the release of suspected counterfeit or confusingly similar trademark or pirated copyright goods, to provide a reasonable security or equivalent assurance [for example a bond conditioned to hold the defendant harmless] to satisfy the judicial authority, with a sufficient degree of certainty, that the applicant’s right is being infringed or that the infringement is imminent, and to order the applicant to provide security or equivalent assurance set at a level sufficient to protect the defendant and to prevent abuse.”<sup>13</sup>

Multilateral and plurilateral treaties fail to provide a definition for “abuse” in the context of intellectual property law in general, let alone for trademark law. Neither does the domestic law of the PRC,<sup>14</sup> Hong

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11. *See id.* art. 18.71(1) (“Each Party shall ensure that enforcement procedures as specified in this Section are available under its law [for greater certainty, “law” is not limited to legislation] so as to permit effective action against any act of infringement of intellectual property rights covered by this Chapter, including expeditious remedies to prevent infringements and remedies that constitute a deterrent to future infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”).

12. *Id.* art. 18.74(15) (“Each Party shall ensure that its judicial authorities have the authority to order a party at whose request measures were taken and that has abused enforcement procedures with regard to intellectual property rights, including trademarks, geographical indications, patents, copyright and related rights and industrial designs, to provide to a party wrongfully enjoined or restrained adequate compensation for the injury suffered because of that abuse. The judicial authorities shall also have the authority to order the applicant to pay the defendant expenses, which may include appropriate attorney’s fees.”).

13. *Id.* art. 18.75(2).

14. 中华人民共和国商标法 [Trademark Law of the People’s Republic of China] (promulgated by the standing Comm. Nat’l People’s Cong., Aug. 23, 1982, amended Aug. 30, 2013), *translated in* <http://www.wipo.int/wipolex/en/details.jsp?id=13198> [hereinafter Trademark Law of the PRC].

Kong,<sup>15</sup> Macau,<sup>16</sup> or Taiwan.<sup>17</sup> This article attempts to define what constitutes “abuse of trademark law.” By specifically focusing on emerging safeguards against the abusive use of trademark law in these jurisdictions, this article intends to delineate these provisions and puts them into sharp relief.

Section II describes the three dimensions of abusive use of trademark law. It investigates how trademark law and competition laws in Greater China are trying to curb such behavior that is stifling creativity, innovation, and fair competition. Section III provides the conclusions.

## II. THREE DIMENSIONS OF ABUSE OF TRADEMARK LAW AND SOME SOLUTIONS

This Section ultimately compares the laws of the PRC, Hong Kong, Macau, and Taiwan to see what kind of legislation is in place to protect against the abusive use of trademark law at three different dimensions: registration, pre-trial injunction, and litigation. However, first a definition must be given on what constitutes abusive use of trademark law, or to put it another way, what makes a right holder a “trademark bully?” No relevant treaties or legislation in these countries define the concept. The United States Patent and Trademark Office (“USPTO”) proposed the following definition: “a trademark owner that uses its trademark rights to harass and intimidate another business beyond what the law might be reasonably interpreted to allow.”<sup>18</sup> This definition provides a

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15. Trade Marks Ordinance, (2003) Cap. 559 (H.K.), *translated in* [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=187015](http://www.wipo.int/wipolex/en/text.jsp?file_id=187015) [hereinafter Trade Marks Ordinance of Hong Kong].

16. 工業產權法制度 [Industrial Property Code] (“Legal Regime of Industrial Property” approved by of Macau, Decree-Law No. 97/99/M of 13 December 13, 1999, as amended by Law No. 11/2001 of August 6, 2001, effective Nov. 1, 2011), 50 OFFICIAL BULLETIN OF MACAU – SERIES 1 7740 (China), *translated in* <http://bo.io.gov.mo/bo/i/99/50/codrprien/default.asp> [hereinafter Industrial Property Code of Macau].

17. 商標行為 [Trademark Act], Jun. 29, 2011, ZONGTONGFU GONGBAO (總統府公報) [PRESIDENTIAL OFFICIAL GAZ.], no. 6981, amended Dec. 15, 2016 (Taiwan), *translated in* <https://www.tipo.gov.tw/ct.asp?xItem=610404&ctNode=6822&mp=2> [hereinafter Trademark Act of Taiwan].

18. *Request for Comments: Trademark Litigation Tactics*, n.1, U.S. PATENT AND TRADE MARK OFFICE (Jan. 31, 2012), [http://www.uspto.gov/trademarks/litigation\\_study.jsp](http://www.uspto.gov/trademarks/litigation_study.jsp).

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choice between two approaches that try to measure abuse of trademark law: the quantitative or qualitative approach.

Trademark search engine and application facilitator Trademarkia “ranks companies as bullies when they have ‘opposed’ more trademark applications of other companies than anyone in their trademark classification.”<sup>19</sup> The advantage of this quantitative approach for measuring abuse of rights is that it is easy to measure the amount of times a company opposes trademarks. The disadvantage is that it is intrinsically flawed. First, not all companies hold an equal amount of trademarks and the cases should be judged on their merits. Moreover, merely because a company is opposing more trademark applications than others does not necessarily mean that these oppositions are overreaching acts that constitute abuse. The quantitative approach would rank a company that is opposing even one trademark in bad faith<sup>20</sup> as less of a trademark bully than a company that is opposing two in good faith. In other words, to make the distinction between use and abuse is case specific and a matter of fact and degree. Therefore, instead of a more convenient but skewed methodology, the qualitative approach is preferable.

Under the qualitative approach, a trademark holder’s abuses of its rights focuses on the character of the holder’s action against competitors. Here, one can argue that rights holders can abuse intellectual property when they have asymmetric power. Thus, when a company’s exercise of its rights has an adverse effect on other stakeholders or results in unfair competition and this is counterproductive for creativity or innovation, the company is a trademark bully abusing its rights.<sup>21</sup>

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19. Trevor Little, *Monster Energy Company Heads Trademark Bullies Top 10, but List Is Not All It Seems*, WORLD TRADE MARK REV. (May 27, 2015), <http://www.worldtrademarkreview.com/Blog/detail.aspx?g=7a58f3aa-6f8a-4f54-a544-c04b76539d57>.

20. There is no generally accepted definition of what constitutes bad faith. However, it is clear that it includes the elements of knowledge of prior use and the intention to preclude prior users from registering the mark. The “knowledge of the circumstances from which incompatibility with accepted standards of honest or ethical conduct may be deduced,” as suggested by Advocate-General Sharpston, leaves a lot of room for discretion but at least makes clear that circumstantial evidence can play a role. Opinion Advocate-General Sharpston, Case C-529/07, *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, ¶ 75, 2009 E.C.R. I-04893 (Austria).

21. Cf. William T. Gallagher, *Trademark and Copyright Enforcement in the Shadow of IP Law*, 28 SANTA CLARA COMPUTER & HIGH TECH. L.J. 453, 496 (2012) (“[T]rademark and copyright lawyers and their clients sometimes enforce admittedly

Below is a brief analysis and the list is not exhaustive.<sup>22</sup> Section 2(A) will focus on abusive trademark registration and opposition or revocation procedures. Section 2(B) explores threatening litigation, filing for an injunction or detainment of the goods to be seized by Customs, and actual litigation although the affected party did not infringe the trademark. Section 2(C) investigates cases of abuse of well-known trademarks. Finally, Section 2(D) demonstrates that beyond trademark provisions that protect against abuse, competition law might offer a solution.

#### *A. Abusive Trademark Registration and Opposition or Revocation*

One can make the following distinction: Section 2(A)(1) discusses the registration of a trademark which should be refused on relative grounds;<sup>23</sup> Section 2(A)(2) explores the registration of a trademark which should be refused on absolute grounds; and finally, Section 2(A)(3) investigates the other side of the abusive coin: the opposition or revocation of a trademark that deserves to be registered.

##### *1. Registration of a Trademark that Should be Refused on Relative Grounds*

When a company seeks to register a trademark, it may be refused if the mark is already registered and another company holds prior rights:

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weak IP claims precisely because it can be an effective strategy with few downsides. As this study shows, aggressive trademark and copyright enforcement efforts often work, as enforcement targets frequently choose to capitulate or settle rather than resist claims on the legal merits, likely due to the costs and uncertainties inherent in IP litigation. Thus, this study supports the thesis that trademarks and copyrights can be and often are over-enforced in everyday legal practice.”).

22. For example, there is also abusive use of the provisions concerning collective and certification trademarks, but these and other forms of abuse fall outside the scope of this paper.

23. This Author classifies bad faith as a relative ground for refusal because of the clear relationship between registration and prior rights, whether these are unregistered or registered trademarks. However, some jurisdictions, including Hong Kong, classify bad faith registration as an absolute ground for refusal. The explanation for this is that bad faith registrations affect the characteristic of the trademark. For an EU-centric perspective, see generally Alexander Tsoutsanis, *Trade Mark Registrations in Bad Faith*, in *TOWARDS A UNIFORM APPROACH FOR BAD FAITH*, 299-341, 337, ¶ 20.94 (Oxford Univ. Press 2010).

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these are relative grounds of refusal. This gives rise to one kind of abuse where the party who already holds the trademark is merely “trademark squatting” or “trademark trolling.” Many brand owners overlook registering their trademarks in markets where they do not yet or do not want to conduct business. Trademark squatters register an identical or similar trademark in an identical, similar, or dissimilar class of goods in a jurisdiction where a brand owner has not.<sup>24</sup> Then, the trademark squatter offers to transfer the trademark to the brand owner for an extortive amount of money. This abuses the principles of territoriality and specificity. In the hands of the trademark squatter, the trademark is often not used in the course of trade<sup>25</sup> as a trademark,<sup>26</sup> or if they are used, the registrant is, arguably, taking unfair advantage of the, often, well-known mark of the company seeking to register.<sup>27</sup>

24. See Joseph Simone & Troy Rice, *China Trade Marks: Draft Provisions on Bad Faith Registration*, MANAGING INTELLECTUAL PROPERTY (Dec. 11, 2014), <http://www.managingip.com/Article/3409535/China-trade-marks-Draft-Provisions-on-bad-faith-registration.html> (“The Draft Provisions do not require that the complainant demonstrate the goods or services at issue be identical or similar.”).

25. See, e.g., Trade Marks Ordinance of Hong Kong, *supra* note 15, § 38(3) (“The application shall state whether the trademark is being used, by the applicant or with his consent, in relation to the goods or services in respect of which it is sought to be registered, and if it is not being so used, whether the applicant honestly intends to use the trademark, or to allow it to be used, in relation to those goods or services.”).

26. Tesla Motors Inc.’s trademark travails in the PRC are a good example. See Peter Mendelson, *Trademark Trolls: Here to Stay?*, 70 INTA BULLETIN 21 (Dec. 1, 2015), [http://www.inta.org/INTABulletin/Pages/Trademark\\_Trolls\\_7021.aspx](http://www.inta.org/INTABulletin/Pages/Trademark_Trolls_7021.aspx) (“In 2009, Zhan Baosheng, a businessman based in Guangzhou and founder of a cosmetics website, registered the TESLA trademark across a range of classes, including cars. Tesla Motors made various offers to purchase the marks, but Mr. Zhan rejected the offers and ultimately demanded a price of USD 32 million, which Tesla rejected. The carmaker sued Mr. Zhan for damages and cancellation of the marks and was initially successful, but Mr. Zhan appealed and sued Tesla for trademark infringement, demanding USD 3.9 million in damages and seeking an order that the company stop all marketing and shut down all showrooms displaying cars with the TESLA marks. (2014) No. 09258 San Zhong Min (Zhi) Chu Zi (2014). In August 2014, the parties entered into a settlement whereby Mr. Zhan would give up his trademark rights while Tesla would drop its compensation demands in return.”) See also Alan Ohnsman, *Tesla Reaches Settlement to End China Trademark Dispute*, BLOOMBERG (Aug. 7, 2014), <http://www.bloomberg.com/news/articles/2014-08-06/tesla-reaches-settlement-to-end-china-trademark-dispute>.

27. The Beijing Municipal High People’s Court held that “Beijing Xintong Tiandi Technology Co., that makes wallets, handbags, smartphone cases and a wide range of other goods all bearing the name iPhone” can continue to do so, and decided



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In Greater China, there are “first-to-file”<sup>28</sup> instead of “first-to-use”<sup>29</sup> registration systems. Therefore, if a party registered a trademark first in bad faith, the brand owner that has prior rights has to wait two years in Hong Kong<sup>30</sup> or three years in the PRC, Macau, and Taiwan,<sup>31</sup> before reattempting to register its brand as a trademark. The alternative for the brand owner is to settle or to litigate against the current mark holder.

In the case of a settlement, the brand owner will get a transferred trademark that often is not as well protected, because the trademark troll did not register for the right classes for goods and services, and, obviously, he does not know the strategic plans of the brand owner and oftentimes he or she did not register the exact authorized version of the trademark.

A prerequisite for a successful trademark registration is that the application be based on good faith,<sup>32</sup> or at minimum, not on bad faith.<sup>33</sup> For example, in the PRC the Chinese Trademark Office (CTMO) and Trademark Review and Adjudication Board (TRAB) previously relied upon Articles 4 (intent to use), 10(1)(8) (unhealthy influences on society), and 44 (deceptive or improper registrations) of the Trademark Law

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that Apple’s iPhone trademark is not well-known in China.” Yang Jie et al., *Apple Loses an iPhone Trademark Battle in China*, THE WALL STREET JOURNAL (May 4, 2016), <http://blogs.wsj.com/chinarealtime/2016/05/04/apple-loses-an-iphone-trademark-battle-in-china/>.

28. In a “first-to-file” trademark system, the party that first files for registration gets the trademark. This system prevents consideration of prior unregistered use of a trademark.

29. In a “first-to-use” trademark system, the party that first uses a trademark will get the ownership of the trademark. This system takes prior unregistered use of a trademark into account.

30. Trade Marks Ordinance of Hong Kong, *supra* note 15, § 5(3).

31. Trademark Law of the PRC, *supra* note 14, art. 49; Industrial Property Code of Macau, *supra* note 16, art. 231(1)(b); Trade Marks Act of Taiwan, *supra* note 17, art. 62(2)

32. Trademark Law of the PRC, *supra* note 14, art. 7.

33. Trade Marks Ordinance of Hong Kong, *supra* note 15, § 11(5)(b).

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to evaluate applications for registration.<sup>34</sup> However, in 2013, the Standing Committee of the National People's Congress passed amendments to the Law, which became effective May 2014.<sup>35</sup> Specifically, Article 7 was amended to include a requirement "[that] registration and use of a trademark shall be based on the principle of good faith."<sup>36</sup>

During the public consultation period of the amendment to the Trademark Law, Article 7 Trademark Law cannot not be solely relied upon to sustain an opposition.<sup>37</sup> The *Whole Foods* case makes clear that Article 7 Trademark Law can be used in conjunction with Article 30 Trademark Law, which provides a general prohibition against registration of any marks "that do not conform to the law."<sup>38</sup>

The *Whole Foods* case illustrates how Article 7 can be used in conjunction with Article 30, which provides a general prohibition against registration of any marks "that do not conform to the law."<sup>39</sup> Whole Foods, the holder of the mark "365 EVERYDAY VALUE" in many jurisdictions, learned of the publication for opposition of Chinese Trademark Applications Nos. 12640703 and 12640704, filed by Lei Bao Hua and covered various food products in Class 29 and beverage products in Class 32. Whole Foods had not yet used the plain letter mark "365 EVERYDAY VALUE" in China, and, therefore, lacked any local reputation.

The legal consultants for Whole Foods, Simone IP Services, argued that the applicant was a "serial pirate" who had filed for 168 marks, 158 of which were clearly bad-faith registrations of other brands—some of which are famous in China.<sup>40</sup> Of these, thirty-two have been the subject

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34. *China Trade Marks: Decisions Shine New Light on Bad Faith Filings*, MANAGING INTELLECTUAL PROPERTY (Feb. 24, 2016), <http://www.managingip.com/Article/3532477/China-trade-marks-Decisions-shine-new-light-on-bad-faith-filings.html> [hereinafter *China Trade Marks: Decisions*].

35. *Id.*

36. Trademark Law of the PRC, *supra* note 14, art. 7.

37. *China Trade Marks: Decisions*, *supra* at 34.

38. *Id.* (citing Trademark Law of the PRC, art. 7).

39. *Id.*

40. Mr. Lei's applications targeted a range of industries, including grocery chains ("PUBLIX," "KROGER," "TRADER JOE'S," "SPROUTS FARMERS MARKETS," etc.), department stores (MACYS," BLOOMINGDALES"), clothing retailers ("UNIQLO," "BROOKS BROTHERS," "JCREW"), and publishing houses ("BARRON'S," "MCGRAW-HILL," "COLLEGE BOARD," "THE PRINCETON REVIEW").

of oppositions and another five the subject of invalidations. The CTMO made note of these disputes as evidence to support its finding of bad faith. Significantly, the CTMO made reference to Lei's failure to provide a "reasonable explanation" for his filing of the marks. This shifting of the burden of proof is standard in domain name cases under the Uniform Domain Name Dispute Resolution Policy (UDRP),<sup>41</sup> but not in registry disputes.<sup>42</sup>

Thus, that Whole Foods successfully opposed the two trademark applications,<sup>43</sup> supports the conclusion that the CTMO requires at least some of the other victim brands to be famous in the PRC. However, even in the absence of a serial pirate, invalidating a mark based on bad faith can be proven through Articles 15 (unauthorized filings by agents, representatives, etc.); Article 19 (trademark agencies that file trademarks other than those needed for their own operations); or, Article 32 (violating prior rights, including copyright, rights in personal names, trade names and merchandising rights).<sup>44</sup>

In Hong Kong, a registrant can apply to invalidate a trademark's prior registration on the basis of bad faith.<sup>45</sup> Indications that registrations were done in bad faith are: the trademark applicant registers often famous/well-known trademarks or a trademark troll uses the trademark himself, misleading consumers about the origin of goods or services

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41. See Internet Corporation for Assigned Names and Numbers, Uniform Domain Name Dispute Resolution Policy [UDRP], ¶ 4 (Oct. 24, 1999); The China Internet Network Information Center, Domain Name Dispute Resolution Policy, art. 8 & 9 (effective 30 September 2002).

42. Under the UDRP, "[o]nce a complainant makes a *prima facie*" showing of legitimate interests in the domain name, "the burden shifts to the Respondent to rebut the showing by providing evidence that it has rights to or legitimate interests in respect to the disputed domain name." See, e.g., WIPO Arbitration and Mediation Center, ADMINISTRATIVE PANEL DECISION, Telephone and Data Systems, Inc. v. Marc Corinth, Case No. D2016-1253 (citing other WIPO cases analysing UDRP ¶ 4). There is no explicit equivalent shift of the burden of proof in Article 7 Trademark Law of the PRC in bad faith oppositions. Therefore, no alleged bad faith trademark registrant needs to prove "good faith" in filing for trademarks. However, the CTMO's decision in 365 EVERYDAY VALUE suggests that, "once an opposing party has presented reasonable evidence of bad faith, the burden can be shifted to the alleged pirate to prove its good faith." *China Trade Marks: Decisions*, *supra* note 34.

43. *China Trade Marks: Decisions*, *supra* note 34.

44. *Id.*

45. Trade Marks Ordinance of Hong Kong, *supra* note 15, § 53(2).

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(for example stating that the company is a subsidiary or distributor of the brand when this is not the case).<sup>46</sup>

Normally a trademark holder can acquiesce only for five years in the PRC, Hong Kong, or Taiwan, and for only three years in Macau. Before that time he needs to oppose or request the annulment of registration of the trademark in relation to the goods or services for which that trademark has been used, except in cases of bad faith, where the statute of limitations is no longer applicable.<sup>47</sup> Section 13 of the Trade Marks Ordinance of Hong Kong, explicitly provides another exception:<sup>48</sup> if there has been honest concurrent use of the trademark,<sup>49</sup> it can be registered despite a previously registered mark.<sup>50</sup> One can argue that all these trademark systems assume that an acquiescence of at least five or three years, establishes honest concurrent use of a trademark with an earlier trademark. Thus, the burden is placed on trademark holders to enforce their rights within this time period.

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46. Bad faith is when the “circumstances of the application gives rise to a reasonable suspicion of the applicant’s entitlement to the mark or the honesty of his intention.” H.K. INTELL. PROP. DEP’T, *Absolute Grounds for Refusal*, in TRADE MARKS REGISTRY WORK MANUAL 1 (2016), [http://www.ipd.gov.hk/eng/intellectual\\_property/trademarks/registry/Absolute\\_grounds\\_for\\_refusal.pdf](http://www.ipd.gov.hk/eng/intellectual_property/trademarks/registry/Absolute_grounds_for_refusal.pdf).

47. Trademark Law of the PRC, *supra* note 14, art. 46; Trade Marks Ordinance of Hong Kong, *supra* note 15, § 59(1); Industrial Property Code of Macau, *supra* note 16, art. 221; Trademark Act of Taiwan, *supra* note 17, art. 58.

48. Trade Marks Ordinance of Hong Kong, *supra* note 15, § 13(1); *see also* H.K. INTELL. PROP. DEP’T, *Consent, Honest Concurrent Use and Other Special Circumstances*, in TRADE MARKS REGISTRY WORK MANUAL 1 (2016), [http://www.ipd.gov.hk/eng/intellectual\\_property/trademarks/registry/WM\\_Honest\\_Concurrent\\_Use.pdf](http://www.ipd.gov.hk/eng/intellectual_property/trademarks/registry/WM_Honest_Concurrent_Use.pdf) (providing case law, where a test for Honest Concurrent Use was developed).

49. Honest concurrent use is where “two separate businesses have acquired a reputation in a single mark or name.” DAVID LLEWELYN, ET. AL., *INTELLECTUAL PROPERTY: PATENTS, COPYRIGHT, TRADE MARKS & ALLIED RIGHTS* 15-17 (8th ed., Sweet & Maxwell, London 2013). *See also* H.K. INTELL. PROP. DEP’T, *Consent, Honest Concurrent Use and Other Special Circumstances*, in TRADE MARKS REGISTRY WORK MANUAL, *supra* note 46, at 13 (describing a two-stage analysis to determine whether registration should be allowed on honest concurrent use).

50. *See, e.g.,* Lin Heung Tea House & Bakery v. Guangzhou Catering Serv. Enterprises Group Company Limited, [2015] 4 H.K.C. 333 (C.A.) (H.K.) (An unregistered trademark owner may register its mark, despite an existing identical or similar registered trademark. This requires a heavy evidential proof of reputation.).

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The jurisdictions that are compared in this article allow the registrations of Chinese characters for trademarks. This offers extra opportunities for trademark squatters to abusively register trademarks. Even when brand owners registered their trademark in the above-mentioned jurisdictions, in some cases they only did so in their original language, thereby leaving trademark squatters the opportunity to register Chinese character translations, transliterations,<sup>51</sup> or hybrids of translation and

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51. The Higher People's Court in Zhejiang ruled that Castel Frères SAS must pay RMB 33 million (US\$5.5 million) to distributor Panati Wine (Shanghai) Co. for using its Chinese trademark Ka Si Te (卡斯特) without authorization. Castel appealed the case all the way to the Supreme People's Court, which reduced the damages to RMB 500,000 (US\$80,000) and would retry the case. In January 2015, the Supreme People's Court upheld a lower court's ruling. Cassie Lam, "*Things are Different in China*", *Alleged Trademark Squatter Claims After Court Win*, WORLD TRADEMARK REVIEW (Mar. 25, 2016), <http://www.worldtrademarkreview.com/Blog/detail.aspx?g=9e669097-ac3c-47de-b571-444a29144681>.

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transliteration of the brand name,<sup>52</sup> as well as creative variations of the characters used.<sup>53</sup>

To establish bad faith of a trademark registrant, this article proposes the following indicators: (1) whether the trademarks are used in the same course of trade, and (2) whether they are similar or identical to famous or well-known trademarks registered. The second factor can indicate a registrant's intent to transfer the trademark for an extortive amount of money or to free ride on the reputation of the famous/well-

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52. In June 2015, the Guangdong Higher People's Court upheld that the use of "Xin Bai Lun" by an affiliate of New Balance Athletic Shoe Inc. was unauthorized and constituted bad-faith trademark infringement. It ordered New Balance to pay RMB 98 million (US\$15.8 million) to Zhou Lelun, a local merchandiser, for infringing his registered "BAI LUN" and "XIN BAI LUN" (新百伦) trademarks. New Balance's sneakers were marketed and sold under the name "Xin Bai Lun" in the PRC from 2011 to 2013. New Balance argued it had rights to the mark under prior use because Xin (新) and "Bai Lun" (百伦) literally translate to "new" and "balance." However, the court rejected this argument, stating that "Xin Bai Lun" is neither a translation nor transliteration of the phrase. Cassie Lam, *New Balance Reveals Next Move After Chinese Court Blow*, WORLD TRADE MARK REV. (July 6, 2016), <http://www.worldtrademarkreview.com/Blog/detail.aspx?g=4d7dd640-d55c-4c8e-99c5-1effe0f0cf58>; Deanna Wong, *A Sigh of Relief: Guangdong Higher People's Court Reduces Record Trademark Damages Award in its New Balance Appeal Judgment*, HOGAN LOVELLS (Aug. 3, 2016) <http://www.hoganlovells.com/en/publications/a-sigh-of-relief-guangdong-higher-peoples-court-reduces-record-trademark-damages-award-in-its-new-balance-appeal-judgment>; Scott Cendrowski, *Has the Boston-Based Athletic-Shoe Maker Made a Mistake by Fighting a Two-Decade Trademark Battle?*, FORTUNE (May 28, 2016), <http://fortune.com/new-balance-chinese-trademark/>. An older example is where Starbucks used "Xingbake," because Xing (星) means star in Mandarin, and Ba Ke (巴克) is phonetically similar to bucks. Danny Friedmann, *Xingbake Wakes Up and Smells the Coffee*, IP DRAGON (Jan. 3, 2006), <http://ipdragon.blogspot.hk/2006/01/xingbake-wakes-up-and-smells-coffee.html?m=1>.

53. French fashion-house Hermès International SCA, appealed to the PRC's Trademark Board in 1997 and again in 2009 to reject Dafeng Garment Factory's registration of the trademark "爱玛仕" because it was similar to the Chinese pinyin spelling and pronunciation of "Ai Ma Shi" (爱马仕), Hermès' Chinese name. *Hermès Fails to Register its Chinese Name*, NOVAGRAAF (Mar. 6, 2012), <http://www.novagraaf.com/en/news/news-about-trademarks?newspath=/NewsItems/en/hermes-fails-to-register-its-chinese-name>. The difference between the two names, was the character Dafeng Garment Factory used was "agate" (a kind of crystal), instead of the character Hermès used, which was "horse." See also Melanie Lee, *France's Hermes Loses China Trademark Fight: Report*, REUTERS (Feb. 26, 2012), <http://www.reuters.com/article/us-hermes-china-idUSTRE81Q05420120227>.

known trademark. For example, Zhou, who registered the Chinese characters “新百伦” (Xin Bai Lun), the hybrid Chinese translation/Mandarin transliteration of New Balance, “had accumulated trademarks for the loose translation of several famous international brands—Dunhill, Hugo Boss, Enzo, and others.”<sup>54</sup>

## 2. *Registration of a Trademark that Should be Refused on Absolute Grounds*

In contrast with the relative grounds of refusal, which deal with conflicts of an applied-for trademark, with earlier trademarks and earlier rights, “absolute” grounds are concerned with the nature of the trademark itself. Both Article 17 of TRIPS and Article 18.21 of TPP prescribe, in almost identical language, that members may “provide limited exceptions to trademark rights . . . provided that such exceptions take account of the legitimate interests of the owner of the trademark and third parties.”<sup>55</sup> The PRC, Hong Kong, Taiwan, and Macau have implemented exceptions and refuse the registration of descriptive marks such as the description of quality, intended purpose, material, place of origin or relevant characteristics, and goods or services that are generic or devoid of distinctive character.<sup>56</sup> For example, in April 2016, Macau’s Court of Second Instance rejected the Sands Casino’s application for the trademark “Cotai Strip,” describing it as “ambiguous, generic and indefinite.”<sup>57</sup> All four jurisdictions provide that a lack of distinctiveness can be resolved by acquiring distinctiveness through use.<sup>58</sup>

54. Scott Cendrowski, *How New Balance Ran into a Wall in China*, FORTUNE (May 28, 2016), <http://fortune.com/new-balance-chinese-trademark/>.

55. TRIPS, *supra* note 6, art. 17; *see also* TPP, *supra* note 10, art. 18.21.

56. Trademark Law of the PRC, *supra* note 14, art. 11; Trade Marks Ordinance of Hong Kong, *supra* note 15, § 11(1); Industrial Property Code of Macau, *supra* note 16, arts. 199(1)(b)–(c); Trademark Act of Taiwan, *supra* note 17, art. 29.

57. Stephen Stradbroke, *Sands Loses bid to Control Cotai Strip Trademark but Wins Retail Crown*, CALVIN AYRE (June 14, 2013), <http://calvinayre.com/2013/06/14/casino/sands-loses-cotai-strip-trademark-bids/>.

58. Trademark Law of the PRC, *supra* note 14, art. 11; Trade Marks Ordinance of Hong Kong, *supra* note 15, § 11(2); Industrial Property Code of Macau, *supra* note 16, art. 199(2); Trademark Act of Taiwan, *supra* note 17, art. 29.

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The above-mentioned jurisdictions have the absolute grounds of refusal for three-dimensional trademarks: if the shape results from the nature of the goods themselves, or is necessary to obtain a technical result, or gives substantial value to the goods.<sup>59</sup> Professor Mireles argues that shape trademarks stifle creativity, artistic expression, and competition. He asserts that in non-reputation cases there should be an aesthetic functionality defense.<sup>60</sup>

Hong Kong<sup>61</sup> and Taiwan<sup>62</sup> allow for the registration of pure color trademarks (trademarks consisting of a single color), while the PRC<sup>63</sup> and Macau<sup>64</sup> allow for the registration of combination color trademarks. Identification of the source by a pure color trademark restricts competitors from using certain colors, which is not conducive to creativity, innovation nor competition. For example, once a pure color trademark is registered, brand holders and their industrial designers are basically deprived of the use of the full color spectrum. The PRC and Macau's combination color trademarks allow for more competition and freedom of choice, limiting the chance that trademark holders will overreach by using a single-color trademark.

### 3. *Opposition to or Revocation of a Trademark that Deserves to be Registered*

Trademark holders find themselves between Scylla and Charybdis. They do not want to be labeled a trademark bully as this can make the mark unattractive to (potential) customers. Then again, if trademark

59. Trademark Law of the PRC, *supra* note 14, art. 12; Trade Marks Ordinance of Hong Kong, *supra* note 15, § 11(3); Industrial Property Code of Macau, *supra* note 16, art. 199(1)(a); Trademark Act of Taiwan, *supra* note 17, art. 36.

60. See Michael Mireles, *Aesthetic Functionality*, 21 TEX. INTELL. PROP. L.J. 155, 189 (2013).

61. See Trade Marks Ordinance of Hong Kong, *supra* note 15, § 3(1); see also H.K. INTELL. PROP. DEP'T, *Colour Marks*, in TRADE MARKS REGISTRY WORK MANUAL 1 (2016), [http://www.ipd.gov.hk/eng/intellectual\\_property/trademarks/registry/Colour\\_marks.pdf](http://www.ipd.gov.hk/eng/intellectual_property/trademarks/registry/Colour_marks.pdf).

62. Trademark Act of Taiwan, *supra* note 17, art. 19.

63. Trademark Law of the PRC, *supra* note 14, art. 8; see also Shi Xinzhang, *Problems Concerning the Application for Registration of a Color Combination Trademark*, CHINA INTELL. PROP. MAG. (Oct. 2006), <http://www.chinaipmagazine.com/en/journal-show.asp?id=203>.

64. Industrial Property Code of Macau, *supra* note 16, art. 199(1)(d).



holders do not continuously assert their right, their trademark can become generic. Therefore, the opposition to or revocation of a trademark is only abusive if it is clear to the opposing or revoking party that the trademark deserves to be registered. An additional problem is that only companies with sufficient funds have the ability to continuously monitor their marks so that they know when a competitor files a hostile trademark that is similar or identical to the trademark and/or for the identical or similar goods or services.

To minimize the abusive use of oppositions or revocations of a trademark, jurisdictions in Greater China limit the time after publication in the official gazette when an opposition procedure can be started and by whom. In the PRC,<sup>65</sup> Hong Kong,<sup>66</sup> and Taiwan,<sup>67</sup> opposition needs to take place three months after publication. In Macau, opposition must be filed in less than two months after publication.<sup>68</sup> In all four jurisdictions, only parties with immediate economic interests (such as parties with previous rights or those who have reason to believe that the trademark would damage their existing rights) can oppose or revoke the trademark.

### *B. Abusive Threats of Litigation and Injunction*

The following Sections highlight the pressures that defendants increasingly face, given the expense, time, and stigmatizing nature of the threat of litigation. One can learn from the “Lumen” database<sup>69</sup> how effective a legal threat can be, even if perversely unfair, in fighting market competition.

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65. Trademark Law of the PRC, *supra* note 14, art. 33.

66. Trade Marks Ordinance of Hong Kong, *supra* note 15, §§ 12(6), 44(1); Trade Marks Rules, (2003) Cap. 559A, Rule 16 (1)–(2) (H.K.); *see also* H.K. INTELL. PROP. DEP’T, *Opposition to Registration*, in TRADE MARKS REGISTRY WORK MANUAL 1 (2014), [http://www.ipd.gov.hk/eng/intellectual\\_property/trademarks/registry/Opposition\\_to\\_registration.pdf](http://www.ipd.gov.hk/eng/intellectual_property/trademarks/registry/Opposition_to_registration.pdf).

67. Trademark Act of Taiwan, *supra* note 17, art. 48.

68. Industrial Property Code of Macau, *supra* note 16, art. 211(1).

69. Lumen was formerly known as Chilling Effects.

### 1. *Threatening Litigation*

Threatening litigation can be an effective means to stop unauthorized trademark use. But, when does threatening litigation turn abusive and become trademark bullying? Pre-litigation tactics, using for example Cease and Desist Letters, can possibly chill creativity, innovation and have adverse effect to competition;<sup>70</sup> and they could be considered abusive when the action would not likely prevail if it were litigated. This is the case, for example, if the parties are not competitors and there is no intent to compete in the future.

Determining whether litigation is abusive is case specific and a matter of fact and degree. Abusive litigation, or as Professor Port calls “strike suites,” is where “[the] objective is to raise the cost of market entrance or continuation for the competitor.”<sup>71</sup> Pre-litigation tactics, such as Cease and Desist Letters, followed by actual trademark infringement filings are not necessarily prosecuted to a conclusion on the merits. If pursued to a decision on the merits, many trademark infringement claims would not stand a chance of success.

### 2. *Injunctions*

Before a hearing on the merits, trademark holders and sometimes their licensees can enjoin an alleged infringement, adopt property preservation, or preliminary execution. Courts consider whether the applicant established a *prima facie* probability of success on the merits and whether there is a risk of irreparable harm. Another legal avenue for trademark holders is to record their trademarks with Customs. Customs agencies investigate and detain alleged counterfeit goods. Both avenues have the potential to allow trademark holders to abusively assert their rights. The jurisdictions try to minimize this abuse with the safeguards outlined below.

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70. See generally *Request for Comments*, *supra* note 18 (Congress directed the Secretary of Commerce to investigate trademark litigation tactics.); TRADEMARK TECHNICAL AND CONFORMING AMENDMENT ACT OF 2010, Pub. L. No. 111-146, 124 Stat. 66 (2010).

71. Kenneth Port, *Trademark Extortion: The End of Trademark Law*, William Mitchell Legal Studies Research Paper No. 83, WM. MITCHELL COLL. OF L. 1-71, 4 (2007).

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Injunctions are balanced solutions due to their safeguards and tendency to initiate litigation. However, in asymmetric competition a financially strong trademark holder is able to threaten litigation and possible injunctive relief as anti-competitive instruments.

*The PRC*

Article 97(3) of Civil Procedure Law<sup>72</sup> states implicitly that occurring infringements can be enjoined and so did Article 57 Trademark Law<sup>73</sup> of the PRC 2001. Article 65 Trademark Law of the PRC 2013 gives trademark holders the right to asset preservation and injunctive relief while Article 66 Trademark Law of the PRC 2013 provides for evidence preservation.<sup>74</sup> Article 1 Judicial Interpretation by the Supreme People's Court of Issues Relating to the Application of Law to Pre-trial Suspension of Acts of Infringement of Exclusive Right to Use Trademarks and to Evidence Preservation (JI Pre-trial Suspension of Infringement and Evidence Preservation) makes the pre-trial suspension of acts of trademark infringement or evidence preservation possible.<sup>75</sup>

However, to prevent a vexatious trademark holder from frivolously filing for suspensions, the JI Pre-trial Suspension of Infringement and Evidence Preservation has put several safeguards in place. First, when filing for a pre-trial suspension, the applicant shall provide a guaranty.<sup>76</sup>

72. 中华人民共和国民事诉讼法 [Civil Procedure Law of the People's Republic of China] (promulgated by President Order, Apr. 9, 1991, amended Aug. 31, 2012), art. 97(3), *translated in* <http://www.wipo.int/edocs/lexdocs/laws/en/cn/cn012en.pdf>.

73. *See* 1982年8月23日, 中华人民共和国商标法 (全国人大常委会令第10号公布) [Trademark Law of the People's Republic of China (as amended up to Decision of October 27, 2001, of the Standing Committee of the National People's Congress, revising the Trademark Law of the People's Republic of China; promulgated by Order No. 10 of August 23, 1982, of Standing Committee of the National People's Congress 2001), art. 57, *translated in* <http://www.wipo.int/wipolex/en/details.jsp?id=5003>.

74. *Id.* art. 65.

75. 最高人民法院关于诉前停止侵犯注册商标专用权行为和保全证据适用法律问题的解释 [Interpretation by the Sup. People's Ct. of the Issues Relating to Application of Law to Pre-trial Suspension of Acts of Infringement of Exclusive Right to Use Trademarks and to Evidence Preservation] (promulgated by the Jud. Comm. of the Sup. People's Ct. at the 1203rd Meeting, Jan. 9, 2002, effective Jan. 22, 2002) (China), *translated in* <http://www.wipo.int/edocs/lexdocs/laws/en/cn/cn058en.pdf>.

76. *Id.* art. 6.

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In the likelihood of great injury, the People's Court may order the applicant to provide additional guaranties.<sup>77</sup> In addition, "[w]here a trademark registrant or an interested party does not institute legal proceedings within fifteen days after the People's Court adopts the measure to suspend the relevant act or to preserve evidence, the People's Court shall cancel the measure adopted pursuant to the adjudication."<sup>78</sup> Finally, in cases "[w]here the applicant does not institute legal proceedings or the erroneous application causes injury to the respondent," the respondent can sue the applicant for damages.<sup>79</sup> The PRC also has a separate regime for injunctions at trade fairs.<sup>80</sup>

*Hong Kong*

In Hong Kong, sections 22 and 63 Trade Marks Ordinance provide that trademark holders can sue for an injunction to restrain alleged trademark infringement.<sup>81</sup> The safeguards against abuse of the injunction mechanism can be found in the following provision: section 26 Trade Marks Ordinance of Hong Kong states that if one is threatened by an action for trademark infringement with respect to any use other than packaging or the supply of services under the trademark, one may bring an action before the court for relief.<sup>82</sup> The relief can be a declaration to the effect that the threats are unjustifiable; an injunction against the continuance of the threats; and damages, if any, that have been sustained by the plaintiff by reason of the threats. A plaintiff may not seek relief under section 26 of Hong Kong's Trade Marks Ordinance unless such application is urgent.<sup>83</sup> Where an application requires imminent action, an injunction may be granted for the issue of the writ, summons, or other terms, if any, as the court deems fit.<sup>84</sup>

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77. *Id.* art. 7.

78. *Id.* art. 12.

79. *Id.* art. 13.

80. Demian Stauber & Zhongqi Zhou, *Protection of Intellectual Property Rights at Trade Fairs in China – Analysis of the Current Legal Framework and Comparison with Other Approaches*, 10 U.C. DAVIS BUS. L.J. 207, 209 (2010).

81. Trade Marks Ordinance of Hong Kong, *supra* note 15, §§ 22 and 63.

82. *Id.*

83. *See generally* The Rules of the High Court, Interlocutory Injunctions, Interim Preservation of Property, Interim Payments, Etc., No. 29, Rule 1 (2008) Cap. 4A (H.K.).

84. *Id.*

However, section 63(2) Trade Marks Ordinance of Hong Kong protects the continuation of any good faith use of a trademark which was begun before an injunction was granted that was based on the protection of a well-known trademark.<sup>85</sup> Where a claimant obtains a “Mareva injunction,”<sup>86</sup> the debtor will generally need to pay damages for defendant’s loss that were derived by an injunction that was subsequently determined to be erroneously granted.<sup>87</sup>

### *Macau*

Macau’s Industrial Property Code, Article 45, dealt with preliminary injunctions in two ways.<sup>88</sup> First, preliminary injunctions may be brought in any action taken with respect to an industrial property right, which includes trademark rights.<sup>89</sup> Second, the “provisions of civil procedure shall apply to this injunction system, but there shall always be a hearing of the opposing party unless, exceptionally, this could jeopardize the result of the actual injunction.”<sup>90</sup> In Macau, there is no specified mechanism to request an order to preserve evidence or to prevent damage. The requests can be done during trial or infringement proceedings. “In case of urgency, injunctions have to be issued within 2 months or 15 days from the request at the soonest (in case the defendant was not summoned).”<sup>91</sup>

### *Taiwan*

85. See Trade Marks Ordinance of Hong Kong, *supra* note 15, §§ 63(1) and (2).

86. A Mareva injunction is a court order freezing of a debtor’s assets to prevent them from being taken abroad. See generally “Mavera Injunction” LAWTEACHER.NET (Nov. 2013), <https://www.lawteacher.net/free-law-essays/english-legal-system/mareva-injunction.php>; Simon Powell & Chi Ho Kwan, *Litigation and Enforcement in Hong Kong: Overview*, LATHAM & WATKINS (July 1, 2016), <http://us.practical-law.com/0-520-6543?q=&qo=&qe=>.

87. *Id.*

88. Industrial Property Code of Macau, *supra* note 17, art. 45.

89. *Id.* art. 45(1).

90. *Id.* art. 45(2).

91. Report to the Anti-Counterfeiting Committee, 62nd Council Meeting, Oct. 19–22 2013, Asian Patent Att’y Association, Hanoi, Vietnam, [http://www.apaaonline.org/pdf/APAA\\_62nd\\_council\\_meeting/AntiCounterfeitingCommitteeReports2013/Macau-AntiCounterfeiting-Committee-Report-2013.pdf](http://www.apaaonline.org/pdf/APAA_62nd_council_meeting/AntiCounterfeitingCommitteeReports2013/Macau-AntiCounterfeiting-Committee-Report-2013.pdf) (Viet.).

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In Taiwan, preliminary injunctions for intellectual property rights maintain a temporary *status quo* and are frequently sought to stop infringing products from continuous importation, sale, and manufacture. For example, Article 537-4 from the Taiwan Code of Civil Procedure provides that “[w]here necessary for purposes of preventing material harm or imminent danger or other similar circumstances, an application may be made for an injunction maintaining a temporary status quo with regard to the legal relation in dispute.”<sup>92</sup>

### 3. Customs’ Detainment

An additional protection to prevent trademark holders from abusing the law can be found in laws addressing actions of authorities in customs agencies. Specifically, to avoid instances where competitors abuse customs services and ask authorities to detain goods that allegedly infringe with their rights, customs authorities are willing to detain goods only on the condition that the mark holder requesting detainment is held liable for the costs and/or pays a guarantee equivalent to the value of the detained goods.

#### *The PRC*

Article 25 Regulations of the PRC on Customs Protections of Intellectual Property Rights, states, “Where the Customs detains the suspected infringing goods . . . the holder of an intellectual property right holder shall make payment of the relevant expenses for the warehousing, maintenance, and disposition of the goods.”<sup>93</sup> If a right holder fails to pay the expenses, Customs may deduct them from the surety the owner has placed.<sup>94</sup> If Customs cannot establish the detained goods to

92. 民事訴訟法[Taiwan Code of Civil Procedure] (promulgated Feb. 1, 1935, effective July 1, 1935, as amended June 25, 2003 and July 1, 2015), art. 537-4, *translated in* <http://law.moj.gov.tw/Eng/LawClass/LawContent.aspx?pcode=B0010001>.

93. 中华人民共和国国务院令 [Regulations of the People’s Republic of China Regarding Customs Protection of Intellectual Property Right] (promulgated by the State Council of the People’s Republic of China, Dec. 2, 2003, amended Mar. 24, 2010, effective Apr. 1, 2010), art. 25, *translated in* <http://english.customs.gov.cn/Statics/d95ecac5-4be9-4d69-b71f-c77169e73360.html>. See generally Bin Zhang & Yue Zheng, *Customs Actions – Procedures, New Measures, Case Studies*, CCPIT PATENT AND TRADEMARK LAW OFFICE (Jan. 5, 2016), <http://www.ccpit-patent.com.cn/node/2843>.

94. *Id.*

be infringing, or the People's Court decides on the non-infringement of the IP right, the IP right holder shall be held liable for the damages.<sup>95</sup>

### *Hong Kong*

Section 30B(1) Trade Descriptions Ordinance of Hong Kong, states that the trademark owner may apply for an order to detain goods "where he has reasonable ground for suspecting" that the goods to be imported are infringing.<sup>96</sup> The Court of First Instance may require the trademark owner "to provide security or an equivalent assurance in an amount sufficient to protect the importer and any other person having an interest in the goods to be detained . . . from any loss or damage that may be incurred in the event that the detention is wrongful. . . ."<sup>97</sup>

### *Taiwan*

Article 73 Trademark Act of Taiwan states, "Customs shall revoke the detention of goods" if: (1) the person who requested the detainment did not initiate legal proceedings for trademark infringement within a period of twelve days; (2) "a final ruling of the court dismisses the litigation initiated by the person who requested" the goods be detained; and (3) "a final judgment of the court holds the detained articles do not infringe" on a trademark holder's rights.<sup>98</sup> In situations where the detention is revoked, "the person who requested to detain [the goods] shall be liable for all relevant expenses incurred as a result of the delay of containers, warehousing, loading and unloading of the detained articles."<sup>99</sup> Article 74 Trademark Act of Taiwan states, "If a final judgment of the court holds that the detained articles do not infringe trademark rights, the person who requested the [detention] shall compensate . . . for [the] injury caused . . . ."<sup>100</sup>

95. *Id.* art. 29(2).

96. 商品說明條例(第362章) Trade Descriptions Ordinance, (2013) Cap. 362, § 30B(1), *translated in* [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=187181](http://www.wipo.int/wipolex/en/text.jsp?file_id=187181) (H.K.).

97. *Id.* § 30C(2).

98. Trademark Act of Taiwan, *supra* note 17, arts. 73(1)–(3).

99. *Id.* art. 73(5).

100. *Id.* art. 74.

#### 4. *Litigation and Recovering Legal Costs*

Litigation can be costly and time-consuming: “[t]he mere pendency of litigation can mean that other actors in the marketplace may be reluctant to have future dealings with the alleged infringer.”<sup>101</sup> Just as with registration, litigation must be pursued in good faith because, by definition, abuse of trademark law is certain without it.

A good illustration of bad faith litigation is the Qisehua case decided by the Supreme People’s Court of the PRC on November 4, 2014.<sup>102</sup> In October 2010, Aiyaya, a competitor of the fashion accessories store “Qisehua,” obtained an exclusive license to use Huamao’s trademarked logo which included the word “Qisehua” for a limited period of three years.<sup>103</sup> The logo was registered by Huamao in several classes of goods but had never been used in association with fashion accessories.<sup>104</sup> After waiting eighteen months to use the trademark, Aiyaya initiated legal proceedings against Qisehua for trademark infringement and compensatory damages.<sup>105</sup>

The Supreme People’s Court determined that the lawsuit was used as an attempt to weaken, or possibly eliminate, Qisehua as a competitor and that Aiyaya obtained the license solely to commence a lawsuit for financial gain.<sup>106</sup> In an effort to strike a balance between protecting intellectual property rights and deterring bad faith litigation, the Court determined that Qisehua “had still violated the trademark rights of another by using the word ‘Qisehua’ in respect of goods for which Huamao’s trademark had been validly registered.”<sup>107</sup> The court held

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101. *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721, 734 (2013) (Kennedy, J., concurring).

102. He Wei & Wang Yaxi, “*Good Faith*” to Deter Opportunistic Trademark Litigation—How to Deal with Abusive Trademark Litigation, KING & WOODS MALLESONS: CHINA LAW INSIGHT (Apr. 25, 2016), <http://www.kwm.com/en/cn/knowledge/insights/how-to-deal-with-abusive-trademark-litigation-20160425>.

103. *Id.*

104. *Id.*

105. *Id.*

106. *Id.*

107. *Id.*



that this was Qisehua's own fault and, considering that Aiyaya had acquired the trademark license at a cost of 1.2 million yuan, Qisehua was ordered to pay Aiyaya 1.2 million yuan in compensatory damages.<sup>108</sup>

The PRC is in the process of reforming its General Principles of the Civil Law 1986, which might reign in abusive litigation. For example, Article 212 of the proposed amendments to the General Principles of Civil Law prohibits abusive litigation.<sup>109</sup> So what is abusive litigation? Provision 212 defines it as "[h]arming others for the purpose of restricting competition or illegal exercise of civil rights."<sup>110</sup>

If a court determines that the plaintiff litigated in bad faith, it has the discretion to award compensation to the prevailing defendant. However, there is a distinction between the recovery of court fees and attorney's fees. In the PRC, Hong Kong, Macau, and Taiwan, the basic principle is that the losing party shall pay the litigation costs.

### *The PRC*

In the PRC, the State Council issued a regulatory scheme for the recovery of litigation costs in the Measures for Payment of Litigation Costs.<sup>111</sup> Article 6 details litigation costs as: "(1) case acceptance fee; (2) application fee; and (3) the traffic expenses, accommodation expenses, living expenses, and subsidies for missed work, [and all costs] incurred by witnesses, authenticators, interpreters and adjustment makers for their appear[ance] in the People's Court."<sup>112</sup> Provisions of the Trademark Law and the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Dispute Cases Arising from Monopolistic Conduct, make clear that in IP litigation, prevailing rights holders can recover "reasonable costs"

108. *Id.*

109. Mark Cohen, *Civil Law Reform and IP in China*, CHINA IPR, (Apr. 23, 2015), <https://chinaipr.com/2015/04/23/civil-law-reform-and-ip-in-china/>.

110. *See generally id.*

111. Jiaona Banfa (诉讼费用交纳办法) [Measures on the Payment of Litigation Costs] (promulgated by the St. Council, Dec. 19, 2006, effective Apr. 1, 2007) ST. COUNCIL GAZ., Feb. 10, 2007 (China), *translated in* <http://en.pkulaw.cn/Display.aspx?LookType=3&Lib=law&Cgid=82815&Id=5765&SearchKey-word=&SearchCKeyword=&paycode=>.

112. *Id.* art. 6.

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including attorney's fees and costs, to stop infringement.<sup>113</sup> Further, "[c]ourt fees and those fees paid to notarization or appraisal institutions are often recoverable in IP litigation."<sup>114</sup> However, awards of attorney's fees are usually in conformity with the market and courts will seldom award fees that are substantially above-market.<sup>115</sup>

*Hong Kong*

In Hong Kong, parties typically pay their own legal costs and awards for litigation costs are subject to the court's discretion.<sup>116</sup> However, "the general rule is that the successful party will recover a proportion of its legal costs from the unsuccessful party."<sup>117</sup> Section 86(1) Trade Marks Ordinance of Hong Kong states, "In all proceedings before the court under this Ordinance the court may award to any party such costs as it may consider reasonable."<sup>118</sup>

*Macau*

In Macau, court costs have a broad meaning.<sup>119</sup> This includes "reimbursements, transportation expenses and compensations."<sup>120</sup> The relevant rules on attorney's fees are provided in the Decree-Law no. 31/91/M, of 6th May (Lawyers' Statute) and the Rules on Legal Opinions of the Macau Lawyers' Association.<sup>121</sup>

*Taiwan*


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113. See generally Susan Ning & Ding Liang, *Commentary on the Anti-Monopoly Judicial Interpretation*, KING & WOODS MALLESONS: CHINA LAW INSIGHT (Aug. 29, 2012), <http://www.chinalawinsight.com/2012/08/articles/corporate/commentary-on-the-antimonopoly-judicial-interpretation/>.

114. He Wei, *The Rules on Recovering Costs: China*, MANAGING INTELLECTUAL PROPERTY (March 23, 2015), <https://ialci.org/Recovering%20costs.pdf>.

115. *Id.*

116. Powell & Kwen, *supra* note 86.

117. *Id.*

118. Trade Marks, Ordinance of Hong Kong, *supra* note 15, § 86(1).

119. See generally Cândida da Silva Antunes Pires, *Cost and Fee Allocation in Civil Procedure*, INT'L ACADEMY OF COMP. L. 1–8 (2010), [http://www-personal.umich.edu/~purzel/national\\_reports/Macau%20\(SAR\)%20\(PRC\).pdf](http://www-personal.umich.edu/~purzel/national_reports/Macau%20(SAR)%20(PRC).pdf).

120. *Id.* at 2.

121. *Id.* at 3.

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In Taiwan, the plaintiff must advance for court fees, which are calculated based on the value of the claim.<sup>122</sup> The losing party pays the court fees to the prevailing party except for attorney's fees, unless expressly agreed on by the parties.<sup>123</sup>

*C. Abusive Use of Well-known Trademarks*

In the above-mentioned jurisdictions, there is a distinction between well-known registered trademarks and well-known unregistered trademarks. Registered well-known trademarks are protected against identical and similar signs used for identical, similar, and dissimilar goods and services. Whereas, unregistered well-known trademarks are protected for identical and similar goods and services.

Article 13 Trademark Law of the PRC implements Article 16(3) TRIPS,<sup>124</sup> by expanding protection against confusion to dissimilar goods, of trademarks which are liable to confusion, pursuant to Article

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122. Chia-Ching Lee & Angela Y. Lin, Litigation, Chapter 42 *Taiwan in THE INT'L COMP. LEGAL GUIDE TO LITIG. & DISP. RES.* 309 (2010), [http://www.lee-andli.com/att/Profile/Litigation\\_Dispute\\_Resolution\\_2010\\_Taiwan.pdf](http://www.lee-andli.com/att/Profile/Litigation_Dispute_Resolution_2010_Taiwan.pdf).

123. *See generally* HENRY COHEN, AWARDS OF ATTORNEYS' FEES BY FEDERAL COURTS, FEDERAL AGENCIES AND SELECTED FOREIGN COUNTRIES 137 (Mary V. Capisio ed., 2002); Lee & Lin, *Taiwan in THE INTERNATIONAL COMPARATIVE LEGAL GUIDE TO LITIGATION & DISPUTE RESOLUTION* 309–315 (2010).

124. Trademark Law of the PRC, *supra* note 14, art. 13 (“Where a trademark in respect of which the application for registration is filed for use for identical or similar goods is a reproduction, imitation or translation of another person’s trademark not registered in China and likely to cause confusion, it shall be rejected for registration and prohibited from use. Where a trademark in respect of which the application for registration is filed for use for non-identical or dissimilar goods is a reproduction, imitation or translation of the well-known mark of another person that has been registered in China, misleads the public and is likely to create prejudice to the interests of the well-known mark registrant, it shall be rejected for registration and prohibited from use.”). *See also* TRIPS, *supra* note 6, art. 16(3).

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6 of the Paris Convention.<sup>125</sup> This approach is different from the protection against dilution by blurring<sup>126</sup> and tarnishment.<sup>127</sup> Hong Kong protects well-known trademarks against both confusion and dilution.<sup>128</sup>

In Macau, a trademark holder with a registered or unregistered trademark may protect the mark by alleging unfair competition under the Macau Commercial Code.<sup>129</sup> To successfully allege unfair competition, the applicant must prove “that the owner enjoyed prior reputation and damage inflicted on to his mark. However, the registration of a trademark under the ‘Industrial Property Code’ gives an owner the right to prevent third parties from using his mark, or a deceptively similar mark, without the owner’s consent for the products or services for which it is registered.”<sup>130</sup> Moreover, the mark holder “may also prevent other persons from using the mark in relation to products or services for which his mark is registered or in relation to similar products or services.”<sup>131</sup>

Similarly, in Taiwan, confusion or dilution of a well-known trademark is a ground to refuse the registration of an identical or similar trademark.<sup>132</sup> Interestingly, “*knowingly* using a trademark which is identical with or similar to another person’s well-known registered

125. TRIPS, *supra* note 6, art. 16(3) (“Article 6 of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark are likely to be damaged by such use . . .”).

126. “Dilution by blurring” refers to the whittling away of distinctiveness caused by the unauthorized use of a mark on dissimilar products. *Blurring*, BLACK’S LAW DICTIONARY (10th ed. 2014).

127. “Dilution by tarnishment” refers to an attack on the reputation and positive image of the trademark, by portraying it in an unsavoury way. *Tarnishment*, BLACK’S LAW DICTIONARY (10th ed. 2014).

128. Trade Marks Ordinance of Hong Kong, *supra* note 15, §§ 12(4)(b) (registration), 18(4)(c) (infringement), 21(2)(a)–(b) (use in advertising etc.).

129. Industrial Property Code of Macau, *supra* note 16, arts. 158–59.

130. *Registration Guide of Trademarks*, MACAO VICTORY INTELLECTUAL PROPERTY AGENT CO., LTD (Sept. 2, 2012), <http://www.macautm.com/en/?c=articles&a=show&id=46>.

131. *Id.* See also Macau Special Administrative Region, *Registration Guide of Trademarks*, Benefits of Registration of a Trademark, MACAU SAR ECONOMIC SERVICES, <http://bo.io.gov.mo/edicoes/en/dse/grm/#tels2> (last updated 2017).

132. Trademark Act of Taiwan, *supra* note 17, art. 30(11).

trademark” constitutes “a likelihood of dilution of the distinctiveness or reputation of the said well-known trademark.”<sup>133</sup> Of course, in case of well-known registered trademarks, *a fortiori*, it is hard to deny one’s knowledge of such a trademark.

### 1. What Qualifies as a Well-Known Trademark

Different jurisdictions use different methods for the acknowledgment of a trademark as a well-known trademark. Article 14 Trademark Law of the PRC provides factors of what constitutes a well-known trademark in the PRC. One of the factors is “the recognition degree of the trademark among the relevant public.”<sup>134</sup> According to the Supreme People’s Court, a well-known mark is defined as a trademark “that is widely known to the relevant sector of the public in China.”<sup>135</sup> The protection of a famous niche is confirmed by the World Intellectual Property Organization Joint Recommendation,<sup>136</sup> and differs significantly from the US requirement of fame to “the general consuming public.”<sup>137</sup>

The CTMO and TRAB have interpreted Article 32 Trademark Law of the PRC to provide “protection where the victim brand has been used and achieved a definite degree of fame before the pirate’s filing date. However, Chinese law requires that such use and fame occur in China,

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133. *Id.* art. 70(1).

134. Trademark Law of the PRC, *supra* note 14, art. 14(1). The other factors of Article 14 Trademark Law of the PRC are: “(2) The duration in which the trademark has been in use; (3) The duration, extent and geographical scope of all publicity operations carried out for the trademark; (4) The records of protection of a well-known trademark provided for the trademark and; (5) Other factors making the trademark well-known.” *Id.*

135. 最高人民法院关于审理涉及驰名商标保护的民事纠纷案件应用法律若干问题的解释 [Interpretation of the Supreme People’s Court of Several Issues Concerning the Application of the Law to the Trial of Civil Dispute Cases Involving Well-Known Trademarks] (promulgated by Adjudication Board of the Sup. People’s Ct. Apr. 22, 2009, effective May 1, 2009), art. 1, *translated in* <http://www.cpahkld.com/Upload-Files/20100316160403610.pdf>

136. Assembly of the Paris Union for the Protection of Industrial Property, General Assembly of the World Intellectual Property Organization [WIPO], *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, art. 3(1), (Sept. 20, 1999), <http://www.wipo.int/edocs/pubdocs/en/marks/833/pub833.pdf>.

137. Lanham Act, Pub. L. No. 104-98, 109 Stat. 985 (codified at 15 U.S.C.A. § 1125(c)) (2012).

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rather than overseas. . . .”<sup>138</sup> As mentioned above in Section 2.2.3 Litigation, the Chinese trademark system distinguishes rigidly between subclasses for trademarks that are not well-known. The CTMO and TRAB do not provide well-known trademarks with absolute protection to all classes.<sup>139</sup> Instead, protection is relative against classes and subclasses that could mislead the public.<sup>140</sup>

In contrast, in Hong Kong, section 60 of the Trade Marks Ordinance introduces a group of trademarks next to well-known trademarks: trademarks that are exceptionally well-known in Hong Kong. An exceptionally well-known trademark may be “registered as a defensive trademark in respect of particular goods or services even if the owner of the registered trademark does not use or intend to use the trademark in relation [to] those goods or services.”<sup>141</sup>

The distinction between well-known and famous trademarks and those trademarks are that neither can help delineate trademark bullying, according to Professor Port.<sup>142</sup> He argued that “[t]rademark bullying occurs when there is evidence that a trademark holder asserts a non-famous mark against a non-competing entity on or in connection with goods or services into which the plaintiff has no reasonable expectation of expanding.”<sup>143</sup> Accordingly, only the non-famous or not well-known trademark holders are overreaching, even though they are basically behaving in the same pattern as many holders of well-known trademarks.

Despite Port’s suggestion, well-known trademark holders could overreach if they unreasonably claim protection for classes of goods and services that are far away from those classes of goods and services in which they are active or will ever be active. In other words, well-known trademarks can be used by bullies if they try to drive any non-competitor out of their trademark “force-field,” even though there is no likelihood of confusion. Indeed, in May 2015, the Taiwan Intellectual

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138. *China Trade Marks: Decisions*, *supra* note 34.

139. Yangyue Chen, Should China Protect Trademarks against Dilution? A Critical Look at the Experience of the United States and the Prospects for Application in China (2009/10) (unpublished L.L.M. thesis, Munich Intellectual Property Law Center), <http://ssrn.com/abstract=1683082>.

140. *See id.*

141. Trade Marks Ordinance of Hong Kong, *supra* note 15, § 60(2).

142. *See* Kenneth Port, *Trademark Extortion Revisited: A Response to Vogel and Schachter*, 14 CHI. KENT J. OF INTELL. PROP. 217, 221 (2014).

143. *Id.*

Property Court held that a series of Red Bull trademarks were well-known, and that the mark's protection extended to wholly distinct industries such as oils, greases, lubricants, services for automobile repair, cleaning, and maintenance.<sup>144</sup>

Overreaching by well-known trademark holders can also be found in the PRC. Despite its rigid application of the principle of specificity, the Beijing People's Court held in the case of *Facebook v. Zhujiang Beverage*, that the latter's trademark in the classes for drinks and porridge were revoked.<sup>145</sup> The trademark "Lian Shu" (脸书) means literally "face book," but refers to masks used in traditional Chinese opera.<sup>146</sup> Therefore, one could argue that Facebook abuses trademark law. Then again, even though Facebook is blocked in the PRC, it is a well-known trademark in the PRC, and thus qualifies not only for protection against trademark infringement but also for an extended protection against confusion for dissimilar activities.

Why would any well-known trademark holder want to risk being labeled a trademark bully? One explanation is that each non-competitor is a potential future competitor. Conglomerates like Samsung demonstrate how trademark holders can extend the use of their trademark into new markets, leveraging their reputation in the process. In order to advance this interest, such companies might adopt a zero-tolerance policy for any unauthorized use of their trademark.<sup>147</sup> A second explanation is that some well-known trademark holders have an independent self-financed, IP enforcement department. Threatening litigation, which forces financially weaker companies into large settlements, can result

144. Crystal J. Chen, *Red Bull Wins the Fight Against Fly Bull*, LEXOLOGY: TSAI LEE & CHEN PATENT ATTORNEY & ATTORNEY AT LAW (Nov. 3, 2015), <http://www.lexology.com/library/detail.aspx?g=9b3c09ad-7aa7-4cf0-8aa6-744403536201>.

145. See Alyssa Abkowitz & Lilian Lin, *Facebook Wins a Trademark Battle in China*, WALL ST. J.: CHINA REAL TIME REPORT (May 9, 2016, 2:29 PM), <http://blogs.wsj.com/chinarealtime/2016/05/09/facebook-wins-a-trademark-battle-in-china/>.

146. *Id.*

147. Please note the difference between unauthorized use of the trademark and unauthorized "trademark use." Only the latter category is making use of the trademark as such (commercial use or use in the course of trade). Danny Friedmann, *A Paradigm Shift of the Trademark Logo Towards Algorithmic Justice* (Aug. 31, 2013). PhD thesis, Faculty of Law, Chinese University of Hong Kong, 31 Aug. 2013, 137–44, <https://ssrn.com/abstract=2964655>.

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in a lucrative revenue stream, thereby incentivizing aggressive enforcement actions.

One can argue that the PRC is trying to protect Chinese consumers against especially well-known Chinese trademarks and local trademark proprietors against well-known foreign trademarks.<sup>148</sup> Article 9 Trademark Law of the PRC gives the registrant of a normal trademark “the right to indicate the wording ‘Registered Trademark’ or a sign indicating that the trademark is registered.”<sup>149</sup> While the registrant of a well-known trademark may not use such an indication.<sup>150</sup> The intent is to protect Chinese consumers against abuse, because many are not familiar with the well-known trademark concept.<sup>151</sup> The trademark holders whose marks were considered well-known in a court, used it in advertisements completely detached from its original case-related meaning.<sup>152</sup>

*D. Beyond Trademark Provisions Protecting Against Abuse:  
Competition Law*

Intellectual property and anti-trust law have a common purpose, to promote consumer welfare growth, efficient allocation of resources, and innovation, according to Article 55 Anti-Monopoly Law of the PRC.<sup>153</sup> This provision is not applicable to a company’s lawful exercise of its intellectual property rights, so long as the company does not intend to use these rights to eliminate or restrict competition.<sup>154</sup> In the

148. Think about Apple’s problems with iPhone (*see supra* note 19) and Hermès’ travails (*see supra* note 27) in the PRC.

149. Trademark Law of the PRC, *supra* note 14, art. 9.

150. *Id.* art. 14. (“Producers and operators shall neither use characters such as ‘Well-known Trademark’ in the goods, on the packaging or vessels nor apply the same for advertising, exhibition or other commercial activities.”)

151. *Id.* art. 1.

152. This is what Professor Liu *cum suis* calls the Alienation of listing of well-known trademarks. *See* Kung-Chung Liu et al., *The Use and Misuse of Well-Known Marks Listings*, 40 INT’L REV. OF INDUSTRIAL PROP. AND COMPETITION LAW 685, 697 (2009).

153. 中华人民共和国反垄断法 [Anti-Monopoly Law of the People’s Republic of China] (promulgated by the Pres. Order No. 68, Aug. 30, 2007, effective date Aug. 1, 2008), art. 55, *translated in* <http://english.mofcom.gov.cn/article/policyrelease/Businessregulations/201303/20130300045909.shtml>

154. *See id.*



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PRC, the Provisions on Prohibiting the Abuse of Intellectual Property Rights to Exclude or Restrict Competition is mainly focused on the abuse of patent law, but it also encompasses trademark law.<sup>155</sup>

As mentioned in Section 2(C), in Macau, a trademark holder of a registered or unregistered trademark may protect the mark against trademark dilution and free-riding by bringing an Unfair Competition action under the Macau Commercial Code.<sup>156</sup>

Taiwan's Fair Trade Law clearly indicates that it applies to conduct outside the proper exercise of rights pursuant to the provisions of the Trademark Law.<sup>157</sup> For example, the Fair Trade Law is applicable in cease-and-desist cases where the plaintiff is claiming that defendant infringed on its trademark but is impeding fair competition in the process.<sup>158</sup> An illustration of how competition law in Taiwan is used in the protection against trademark abuse, can be found in the decision made by the Intellectual Property Court.<sup>159</sup>

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155. Trademark Law was explicitly stated as belonging to the scope of the Guidelines: Article 7 Draft Guidelines on IP Abuse for public consultation (SAIC Draft Guidelines) 2 February 2016, available at: [http://www.saic.gov.cn/zwgk/zyfb/qt/fld/201602/t20160204\\_166506.html](http://www.saic.gov.cn/zwgk/zyfb/qt/fld/201602/t20160204_166506.html). Apart from that, one can assume Trademark Law is part of the scope, although this is not explicitly stated. *See* Provisions on Prohibiting the Abuse of Intellectual Property Rights to Preclude or Restrict Competition, SAIC (2015), [http://www.saic.gov.cn/zwgk/zyfb/zjl/fld/201504/t20150413\\_155103.html](http://www.saic.gov.cn/zwgk/zyfb/zjl/fld/201504/t20150413_155103.html); Anti-Monopoly Guidelines on IP Abuse (Draft for Comments), NDRC (2015), [http://www.sdpc.gov.cn/gzdt/201512/t20151231\\_770313.html](http://www.sdpc.gov.cn/gzdt/201512/t20151231_770313.html).

156. Powell & Kwan, *supra* note 86.

157. "No provision of this Act shall apply to any proper conduct in connection with the exercise of rights pursuant to the provisions of the Copyright Law, Trademark Law, or Patent Law." Fair Trade Act of 2011 (2011), art. 45, <http://www.ftc.gov.tw/internet/english/doc/docDetail.aspx?uid=644&docid=12106>.

158. *Id.* art. 24 ("In addition to what is provided for in this Act, no enterprise shall otherwise have any deceptive or obviously unfair conduct that is able to affect trading order."); *id.* art. 19 ("No enterprise shall have any of the following acts which is likely to lessen competition or to impede fair competition: causing another enterprise to discontinue supply, purchase or other business transactions with a particular enterprise for the purpose of injuring such particular enterprise.").

159. Jane Tsai, *Competition Law*, LEE TSAI & PARTNERS (May 31, 2016), <http://www.leetsai.com/fyi/front/bin/ptlist.phtml?Category=107899>.

### III. CONCLUSIONS

In contrast to many Western jurisdictions where interest groups traditionally play a predominant role in the creation of trademark legislation (industry capture), the PRC, Hong Kong, Taiwan, and Macau seem to seek a more balanced trademark system that curbs abusive trademark registration, excessive litigation, and abusive well-known trademark use and uses competition laws to prevent the loss of competition.

In today's world of expanding globalization and "One Belt, One Road" initiatives,<sup>160</sup> it is important for trademark offices and courts to recognize famous or well-known trademarks so that bad faith trademark applications can be easily identified. Also, the applications of former trademark squatters should be highly scrutinized. Other useful indicators to identify bad faith trademark registrations include: the absence of the use of the trademark in the course of trade, the presence of trading propositions to prior users.

The PRC, Hong Kong, Taiwan, and Macau have introduced legislation against the abuse of trademark law. For example, these jurisdictions have implemented exceptions and refuse the registration of descriptive marks such as the description of quality, intended purpose, material, place of origin or relevant characteristics, and goods or services that are generic or devoid of distinctive character.<sup>161</sup> This allows competition and creativity to continue to flourish. One can further argue that pure color trademarks, which are currently allowed in Hong Kong and Taiwan, stifle creativity, innovation and competition, and should be prohibited altogether or allowed only after adherence to very strict distinctiveness tests.

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160. In September 2013, Chinese president Xi Jinping launched the Silk Road Economic Belt, which was expanded with the 21<sup>st</sup> Century Maritime Silk Road and many more initiatives to increase the connectivity and cooperation between the PRC and the rest of Eurasia. Tian Shaohui, *Chronology of China's Belt and Road Initiative*, XINHUANET (Mar. 28, 2015), [http://news.xinhuanet.com/english/2015-03/28/c\\_134105435.htm](http://news.xinhuanet.com/english/2015-03/28/c_134105435.htm).

161. The same kinds of restrictions in the E.U. help to protect from trademark abuse. For example, see C-108/97 and C-109/97, *Windsurfing Chiemsee Productions – und Vertriebs GmbH (WSC)*, 1999 E.C.R. I-2810, where "Chiemsee" in "Windsurfing Chiemsee" was held to be protectable even though it could be confused with a geographical origin—the Chiemsee, a popular lake in Bavaria—only because Wind-surfing Chiemsee was based near the shores of the Chiemsee.

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Trademark holders have two conflicting interests when deciding whether to enforce their rights: on the one hand, non-action is acquiescence to the use of their trademark, on the other hand, consumers and the market view enforcement as overly aggressive and overreaching.

To limit the abuse of trademark oppositions based on relative grounds, the above-mentioned jurisdictions have placed limits on the time and parties for filing an opposition.

Curbing the abuses of overreaching well-known trademarks should also be a priority. This article suggests that well-known registered trademarks should be protected against the trademark of dissimilar goods that have some relation to, and could be confused by, the good. To avoid the abusive threat of litigation by well-known trademark owners, the courts could qualify it as an abuse when a party asserts a trademark right in a case where the parties are not competing and there is no intention of competition in the future. To avoid abusive use of injunctions and detainment of goods by Customs, legislation could require that each applicant provides a guaranty and institutes a legal proceeding on the merits.

Courts can signal a strengthening of measures against trademark abuse by implementing similar measures as the PRC. The PRC is generally known for granting potentially hostile trademarks because it applies the principle of specificity to a high degree, which allows for different parties to register the same trademark for different classes of goods and services, but also at the level of subclasses. However, in the 2014 *Whole Foods* case, the PRC Trademark Office shifted the burden of proof to the trademark squatter to demonstrate good faith in its application.<sup>162</sup> Loney warns that if trademark bullies are successful in convincing a court that a sign used by a company in a completely different industry leads to a likelihood of confusion, it could be used against it in trademark infringement suits by companies in unrelated industries.

In Hong Kong, the concept of honest concurrent use of a trademark, makes a good faith co-existence between a trademark and an earlier right possible.

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162. See generally *China Trade Marks: Decisions*, *supra* note 34. The *Whole Foods* case was a “ground-breaking decision” protecting an American brand that had no prior use or fame in the PRC. In applying Articles 7 and 30 of the PRC Trademark Law, *Whole Foods* was allowed to prove bad faith via circumstantial evidence that the trademark squatter had filed for other trademarks for brands that were famous in the PRC.

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In the United States, there is arguably no need for additional anti-bullying legislation because “there are sufficient safeguards in the form of sanctions, declaratory judgment actions, self-help, social media, and Internet publicity to address egregious conduct by trademark counsel.”<sup>163</sup> For the Greater China region one can reach the same conclusion. However, IP’s ugly stepsister, competition law, has hardly been explored by those interested in tackling the abusive use of trademark law.

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163. Jason Vogel & Jeremy A. Schachter, *How Ethics Rules Can Be Used to Address Trademark Bullying*, 103 INT’L TRADE MARK ASS’N 503 (2013).